

Message Text

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PAGE 01 STATE 175326
ORIGIN EB-08

INFO OCT-01 ISO-00 ONY-00 /009 R

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DRAFTED BY:EB/OT/TA - D PATTERSON

APPROVED BY:EB/OT/ITP - S AHMAD

DESIRED DISTRIBUTION:EB ONLY

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O 112328Z JUL 78

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TO USMISSION GENEVA IMMEDIATE

C O N F I D E N T I A L STATE 175326

STADIS////////////////////////////////

FOR DAS BARRACLOUGH AND KOPP

CORRECTED COPY PARA 1 (B) LINE 2 OMITTED

C O N F I D E N T I A L STATE 175326

STADIS///

FOR DAS BARRACLOUGH AND KOPP

E.O. 11652: GDS

TAGS: ETRD

SUBJECT: CONVERSION OF SPECIFIC AND COMPOUND RATES TO
AD VALOREM

1. WE JUST RECEIVED LIST OF ITEMS NOMINATED FOR
CONVERSION AND ARE ANALYZING. LIST IS ATTACHED TO A
TPSC DOCUMENT WHICH WE ARE ASKED TO CLEAR BY WEDNESDAY
NOON. DOCUMENT RECOMMENDS THAT ITEMS SHOULD BE
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PROPOSED FOR CONVERSION AND THAT WE RESERVE RIGHT TO
ADD OR DELETE ITEMS. BACKGROUND DISCUSSION REFERS
TO CONVERSION DURING THE TIME FRAME OF THE MTN AND
THUS LEAVES VAGUE WHETHER ARTICLE XXVIII PROCEDURE
WOULD BE FOLLOWED OR NOT. WE SEE FOLLOWING CASES:

A) SOME SPECIFIC DUTIES;

B) COMPOUND DUTIES ON WHICH OFFERED CUT CAN BE APPLIED
SO AS TO ELIMINATE THE SPECIFIC PORTION AND PERHAPS
SHAVE THE A.V. PORTION AS WELL;

C) COMPOUND DUTIES ON WHICH OFFERED CUT IS NOT LARGE
ENOUGH TO ELIMINATE SPECIFIC PORTION (LEAVING A.V.
PORTION UNCUT);

D) COMPOUND DUTIES ON EXCEPTED ITEMS;

2. WE BELIEVE OUR TRADING PARTNERS WOULD STRONGLY
OBJECT TO UNCONDITIONAL CONVERSION OF ITEMS OF TYPES
A AND D. CONVERSION OF THESE RATES WOULD ALMOST
CERTAINLY RESULT IN DEMAND FOR COMPENSATION UNDER
ART. XXVIII, AND NEGOTIATIONS WOULD LIKELY BE COMPLEX
AND DIFFICULT.

3. CONVERSION OF TYPE B ITEMS SHOULD BE MUCH SIMPLER.
OTHER NATIONS MIGHT ARGUE THAT OFFERS SO FORMULATED
ARE WORTH LESS (THAN EQUAL CUTS IN BOTH SPECIFIC
AND A.V. PORTIONS) BUT IN MOST CASES THIS SHOULD NOT
CAUSE UNDUE DIFFICULTY.

4. CONVERSION OF TYPE C ITEMS MIGHT ALSO BE FOLDED
INTO MTN, BUT WITH GREATER DIFFICULTY, AS OTHERS WILL
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ARGUE MORE STRONGLY THAT SUCH OFFERS ARE "WORTH LESS."

5. WE BELIEVE DECISIONS ON THIS ISSUE SHOULD BE POST-
PONED FOR THE MOMENT. WE HAVE NOT HAD TIME TO STUDY
INDIVIDUAL ITEMS AND THEY ARE SO NUMEROUS AS TO
BE UNHELPFUL IN REACHING A JULY 15 AGREEMENT WITH
OUR NEGOTIATING PARTNERS. AFTER JULY 15 WE CAN FOCUS
ON ATTEMPTING TO LIMIT LIST AS MUCH AS POSSIBLE TO
CASES OF TYPES B AND C. WE WILL WANT TO MINIMIZE
BOTH COMPLEXITY OF ARTICLE XXVIII NEGOTIATIONS
THAT MAY ARISE FROM THIS ISSUE AND MINIMIZE DAMAGE
TO VALUE OF OUR OFFER. HOWEVER, THIS MAY NOT BE
POSSIBLE DOMESTICALLY SINCE WE WOULD BE ACCOMMODATING
SOME DOMESTIC INTEREST AND NOT OTHERS.

6. WE ARE THEREFORE TELLING STR WE CANNOT CLEAR
THE TPSC PAPER AND THAT IF DECISION NEEDED THIS
WEEK IT SHOULD BE MADE BY TPRG. CHRISTOPHER

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Message Attributes

Automatic Decaptioning: Z
Capture Date: 01 jan 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: EXCEPTIONS LIST, TARIFFS
Control Number: n/a
Copy: SINGLE
Draft Date: 11 jul 1978
Decaption Date: 20 Mar 2014
Decaption Note: 25 YEAR REVIEW
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 20 Mar 2014
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1978STATE175326
Document Source: CORE
Document Unique ID: 00
Drafter: D PATTERSON
Enclosure: n/a
Executive Order: GS
Errors: N/A
Expiration:
Film Number: D780296-0770
Format: TEL
From: STATE
Handling Restrictions:
Image Path:
ISecure: 1
Legacy Key: link1978/newtext/t19780772/aaaaciua.tel
Line Count: 112
Litigation Code IDs:
Litigation Codes:
Litigation History:
Locator: TEXT ON-LINE, ON MICROFILM
Message ID: 287e4977-c288-dd11-92da-001cc4696bcc
Office: ORIGIN EB
Original Classification: CONFIDENTIAL
Original Handling Restrictions: ONLY, STADIS
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 3
Previous Channel Indicators: n/a
Previous Classification: CONFIDENTIAL
Previous Handling Restrictions: ONLY, STADIS
Reference: n/a
Retention: 0
Review Action: RELEASED, APPROVED
Review Content Flags:
Review Date: 01 aug 2005
Review Event:
Review Exemptions: n/a
Review Media Identifier:
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
SAS ID: 2045904
Secure: OPEN
Status: NATIVE
Subject: CONVERSION OF SPECIFIC AND COMPOUND RATES TO AD VALOREM
TAGS: ETRD
To: GENEVA
Type: TE
vdkgvwkey: odb://SAS/SAS.dbo.SAS_Docs/287e4977-c288-dd11-92da-001cc4696bcc
Review Markings:
Sheryl P. Walter
Declassified/Released
US Department of State
EO Systematic Review
20 Mar 2014
Markings: Sheryl P. Walter Declassified/Released US Department of State EO Systematic Review 20 Mar 2014